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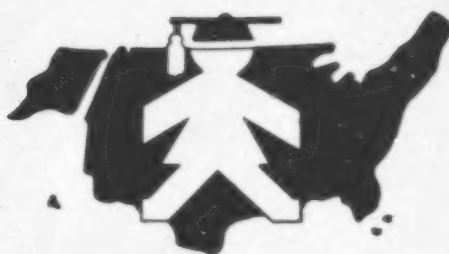
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ABSTRACT

The second National Conference on Consumer Protection in Postsecondary Education was a series of seminars on specific issues. The topics under discussion were (1) protecting the student financial interest; (2) student information needs and systems; (3) postsecondary education institutional responses; (4) regulations and safeguards; and (5) full institutional disclosure. Those taking part in the seminars included persons from consumer groups, federal and state officials with responsibility for consumer protection in postsecondary education, public, private, and proprietary, and others. The seminars resulted in some specific recommendations, the most significant of which was that leadership be exercised in each state by a state postsecondary education agency with responsibility for consumer protection in convening a meeting of all state level agencies and groups with consumer responsibility. (JMF)

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CONSUMER PROTECTION
in
POSTSECONDARY EDUCATION



Report of the
Second National Conference
November 14-15, 1974
Knoxville, Tennessee

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March 1975

Report Number 64

**THE REPORT OF THE
SECOND NATIONAL CONFERENCE ON
CONSUMER PROTECTION IN
POSTSECONDARY EDUCATION**

Knoxville, Tennessee

**Report No. 64
Education Commission of the States
Denver, Colorado
Wendell H. Pierce, Executive Director**

March 1975

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I. BACKGROUND

In March 1974, postsecondary education administrators and students, government officials responsible for coordinating and/or regulating postsecondary education from the federal, state and local levels, together with accrediting agency representatives met in Denver for the first national conference on consumer protection in education beyond the high school. The conference was sponsored by the Education Commission of the States (ECS); the U.S. Department of Health, Education and Welfare Federal Interagency Committee on Education (FICE), Health Resources Administration and Office of Education; U.S. Department of Defense; the U.S. Department of the Interior Bureau of Indian Affairs; the U.S. Department of Labor; and the Veterans Administration.

The general focus of the conference was:

- Rights of consumers of postsecondary education services in the United States.
- Needed safeguards, statutes and statewide regulations to insure delivery of postsecondary education services.

In the report of the conference, published in June 1974 by ECS, several major recommendations were cited. (For the complete text of the recommendations, see Addendum IV, page 17.) One recommendation was:

That there be assembled a followup conference, with conferees being invited from the same representations as this conference, but smaller in number, in order to take four or five key recommendations and develop modes of their implementation, including assignments of responsibility.

Accordingly a planning group, made up of representatives of the sponsoring groups, met in the summer of 1974 to plan and organize the Second National Conference on Consumer Protection in Postsecondary Education, which was held November 14-16, 1974 in Knoxville, Tennessee with the same sponsorship. Members of the planning group, in order to be responsive to the charge of "... take four or five key recommendations and develop modes of their implementation, ..." developed and refined specific issues for each of five seminars

making up the working sessions of the Knoxville conference. Seminar leaders joined members of the planning group in the refinement process just before the opening of the conference.

The following questions guided the respective seminar discussions:

Seminar I—Protecting the Student Financial Interest

1. What safeguards should students expect in financial dealings with postsecondary institutions?
2. How can students be better informed of their short- and long-term obligations under the Guaranteed Student Loan Program?
3. What means can be used to reduce fraudulent defaults in the Guaranteed Student Loan Program?
4. How should schools whose students have high default rates be held accountable?
5. What mechanism(s) can be developed to protect students in the event of school closure (e.g., a "Federal Student Tuition Insurance Corporation")?

Seminar II—Student Information Needs and Systems

1. How can students be better informed about both their right to complain and the mechanisms available for lodging their complaints?
2. How can student complaints about treatment by schools and lenders be better handled by federal and state agencies?
3. How can communication links be improved between consumer organizations, education groups and government?
4. How might information about postsecondary institutions and programs be better made available to students and counselors?
5. How can communication links be improved between state and federal investigatory, regulatory, prosecutorial and enforcement agencies?

Seminar III—Postsecondary Education Institutional Responses

1. How can the "truth in advertising" law be enforced in the postsecondary sector?
2. Is there a "code of ethics" that should be followed by postsecondary institutions in their advertising and recruiting practices?

3. How can counselors in postsecondary institutions be used more effectively?

4. What roles should school administrations and student organizations play in furthering student rights and responsibilities?

5. How should postsecondary institutions handle student complaints?

Seminar IV—Regulations and Safeguards

1. What is the proportionate responsibility between the federal and state governments for regulation of proprietary schools?
2. What improvements, if any, can be made in the model state law?
3. What activities should consumer offices perform in facilitating effective regulation of postsecondary institutions?
4. What is the role of private accrediting bodies in regulating quality and practice among member institutions?
5. How can accrediting associations increase accountability to consumers?

Seminar V—Full Institutional Disclosure

1. What are the basic kinds of information that postsecondary institutions should disclose to prospective students?
2. What kind of information might postsecondary institutions disclose to obtain eligibility for federal programs?
3. Should there be different kinds of information disclosed by different types of institutions? If so, what should they be?
4. Is it possible to make institutional quality determinations on the basis of such information?
5. Is it possible to make comparisons among institutions on the basis of such information?

Because of the hard work in the beginning of these persons from consumer groups, federal and state officials with responsibility for consumer protection in postsecondary education—public, private and proprietary—and others, the possibility for specific action-oriented strategies from the seminars was enhanced.

Both conferences represent important initial steps toward improving consumer protection in postsecondary education. But as signaled in the seminar reports and the addresses given at the conference in Knoxville, much remains to be

done in order to obtain major advances in maximizing improved consumer protection. One specific recommendation, cited on page 6, is that leadership be exercised in each state by a state postsecondary education agency with responsibility for consumer protection in convening a meeting of all state level agencies and groups with consumer responsibility. The purpose of the meeting would be twofold. First, the report and recommendations of the Knoxville conference would be reviewed. Second, they would explore ways and means for im-

proving the links of communication and for developing a more viable partnership in carrying out their respective responsibilities.

Accordingly, this specific recommendation and all of those developed in the seminar sessions, reported and outlined in the following section, are conveyed to the reader's careful attention. As recommended at the conference this report will be distributed to governors, state legislators with particular responsibility for education, state postsecondary agency directors with responsibility for

coordinating, governing and/or regulating the delivery of postsecondary education and consumer group personnel. At the federal level, distribution will include selected members of Congress, Congressional staff and federal agency personnel such as the sponsoring agencies, referred to on the reverse of the title page, whose support for the conference both in planning and funding is acknowledged and greatly appreciated.

II. REPORTS AND RECOMMENDATIONS FROM THE SEMINARS

SEMINAR I: PROTECTING THE STUDENT FINANCIAL INTEREST

The discussion and resulting recommendations from this seminar revolved around the rights and responsibilities of the two primary parties: the student and the education institution. From the articulation of the four components—student rights, student responsibilities, institutional rights and institutional responsibilities—came the identification of the weakness of the enforcement process.

Rules and regulations are ineffective unless there is some agency to enforce them. Accordingly, a new system is recommended as outlined below that relies on federal funds as an incentive for state enforcement of the licensing provisions which should be used to exert better leverage on institutional and individual performances. Federal administrators are responsible for the efficient and conscientious use of federal funds but, to avoid undue federal control, have relied on state and private voluntary determination of quality and integrity. The federal government should provide incentives for the better determination of eligibility.

An Outline of Recommendations by Category:

Student Rights

1. Widest access to information on the alternatives in postsecondary education.
2. Meaningful institutional disclosure throughout the entire process of being a student:
 - prior to and during entrance period
 - while a student
 - during and after exit.
3. Clearly presented grievance and redress procedures:
 - refund policy
 - how much
 - how to obtain.
4. Relationship between students and school not to be impaired through the sale of loans (notes).
5. Provision for maintenance of records even if the institution should fail.

Student Responsibilities

1. To make education decisions based upon all available information.

2. Meeting financial obligations for services performed.

Institutional Rights

1. Knowledge of accreditation ground rules:
 - Securing accreditation
 - Appeal procedures
 - Probation statuses.
2. Provide adequate time to plan for shifts in government policy.
3. Clearly presented grievance and redress procedures.
4. Financially responsible refund policies.

Institutional Responsibilities

1. Full disclosure (same as for students).
2. Maintenance and provision for student access to their own records.
3. If dropping out affects the student's financial support or obligations, this shall trigger institutional notification.
4. Timely refunds.

PROTECTION OF RIGHTS AND ENFORCEMENT OF RESPONSIBILITIES

Student Rights

1. Access to information.

Situation: Due to the minimal availability of adequate information about alternatives within postsecondary education, this right can be classified as not being available.

Need:

- To determine on a state-by-state level the alternatives available to a student;
- Any listings of alternatives should include all institutions, accredited, public, nonpublic, etc.;
- To provide a clearinghouse for state data and to provide technical assistance to those states without such data.

Mechanisms and Sponsorship:

- Federal incentives to encourage and enable states to collect the information;
- Creation or appointment of an independent nongovernmental agency to act as a clearinghouse;
- Clearinghouse and states to develop and maintain data.

2. Full disclosure.

Situation:

- Currently only the Veterans Administration (VA) requires atten-

tion to reliability of published catalog statements;

- Publication of attrition rates is inadequate or nonexistent;
- Publication of default rates is inadequate or nonexistent;
- Cooperation of educational and placement claims also is inadequate or nonexistent;

Need:

- To correct the lack as noted in the four items above.

Responsibility for Enforcement:

- Licensing rests with the states;
- Correct use of federal funds rests with the appropriate federal administering agency.

Mechanism:

- Development of a uniform nationwide disclosure mechanism which will facilitate accumulation and publication of required comparable institutional information;
- Mandatory withdrawal or sanctions against institutions by appropriate governmental agencies when infractions take place:

- state agencies (licenses)
- federal agencies (federal funds);

- Provide federal incentive funds to states accepting policing responsibilities (similar to the VA);
- Private voluntary accrediting agencies should continue to provide traditional services, and reviews and classifications should become published public information.

3. Right to grievance and redress (this right speaks to the primary issue of institutional refund policy).

Situation:

- Currently most institutional refund policies are published, usually in a catalog;
- Consistency of policy between institutions of a like nature is inadequate to nonexistent;
- Appeal procedures available to students are inadequate to nonexistent.

Need and Responsibilities:

- Publication of policies rests with the institution as part of full disclosure;
- Consistency between institutions should rest with state agencies;
- Appeal procedures should rest with:
 - institution, then the

- state agencies, then the
- courts

Mechanisms:

- Through state licensing procedures, require consistent refund policies which are adequately published for students use;
- To insure understanding of all parties, utilize a contractual arrangement between institutions and students which, among other things, articulates refund policies;
- A federal tuition insurance co-operation-like agency is recommended as an auxiliary mechanism for the protection of student financial interest in the case of insolvency or bankruptcy of educational institutions.

Student Responsibilities

1. Student Responsibility 1: To make education decisions based upon all available information.

Situation:

- Full disclosure is now nonexistent;
- If full disclosure existed, the students should avail themselves of and understand such information.

Need:

- Full disclosure;
- Adequate counseling facilities.

Responsibility:

- Rests with the student.

Mechanism:

- Require full disclosure;
- Make available information developed in Student Right 1 (see page 3);
- Support adequate student counseling services;
- All else rests with the student.

2. Student Responsibility 2: Meeting of financial obligations for services performed.

Situation:

- The current critical level of defaults on educational loans;
- The securing of free education under false pretenses, through loan defaults.

Need:

- To assess accurately the reasons for defaults;
- To develop and implement actions necessary to reduce default situations;
- To provide for expansion of legal remedies;
- To provide for active enforcement of violations.

Responsibility:

- Debt obligations rest with the student, excepting death and disability;
- If a student is unable to meet repayments due to legitimate difficulties, it is the student's responsibility to renegotiate the repayment schedule;
- If a student changes his or her status, it is the education institution's responsibility to notify all identifiable concerned parties;
- It is the state and federal governments' responsibility to bring about consistency within the current loan program, such as:
 - coordinated repayment schedules for loan consolidation,
 - closing of loopholes,
 - strict enforcement of infractions (this would include institutions in National Defense Student Loan programs).

Mechanism:

- Insure that students understand their loan obligations (full disclosure);
- Conduct a study to determine reasons for default rates and to develop remedies;
- Close loopholes in bankruptcy laws which allow students to avoid reasonable obligations;
- Provide for maintenance of the relation between schools and students even though the loan(s) (notes) may have been sold.

Institutional Rights and Responsibilities

Institutional situation: inadequate.

Institutional need: monitor, set up mechanisms.

Responsibility for mechanisms: similar to student rights and responsibilities.

FEDERAL TUITION INSURANCE CORPORATION PROPOSAL

Need:

- Millions in dollars in recent student financial losses due to institution closings.

Purpose:

- Assure institutional financial responsibility to students;
- Prevent closings due to financial irresponsibility;
- Insure students against loss in institutional bankruptcies.

Mechanisms:

- Set standards for insurability of institutions;

-Require institutions with federal postsecondary education funds to participate;

-Set standards for refunds of student postsecondary education financial aid funds.

Caveat:

May be legislation barring such a federal agency in the field of education-will require amending.

ADDITIONAL COMMENTS AND VIEWS

Since a process and programs do not exist at present to provide the necessary information, and since it is the right of every citizen to have equal access to postsecondary education, it is the responsibility of both the state and federal governments and their appropriate agencies (such as the state labor departments) to provide and make available the information and materials necessary for application and attendance in postsecondary education institutions. This includes the training of individuals to provide counseling services at a localized level to disseminate information about institutions, admissions and financial aid.

Students as consumers have a right to receive financial aid information through a peer counseling process-high-school students by a special service students, community persons by community persons, etc. These prospective students would then have available all financial aid information. This would be a localized dissemination effort.

Students in high school have the right to access to postsecondary education information early, which is to be made available through career-type education curriculum that examines the postsecondary education options, and pertinent information such as institutions, admissions, financial aid and required eligibility tests.

Students, upon entrance to a postsecondary education institution, have the right to be counseled about specific financial aid programs, their components, about obligations and alternatives available to the student for financial aid and about their obligations.

During attendance at the institution, the student has the right to counseling on the best way to spend his or her postsecondary education dollar. This might be accomplished through an education consumer cooperative located on

a campus or made up of a consortia of postsecondary institutions. This cooperative would disseminate the best information on courses, counseling services, options and financial aid.

Students upon exit from the institution have the right to counseling of his or her financial aid obligations and the process for repayment, which includes renegotiating the payment schedule and length of time for repayment.

It is the right of the student to have a federal clearinghouse for complaints which would take the form of: (a) a toll-free telephone number, (b) a central complaint registry. This might include a formal procedure for referral of the complaint to the appropriate federal or state agency for action.

The accreditation process is not the primary vehicle for protection of students as consumers. Accreditation is similar in function and process to trade association self-regulation. State licensing is the primary vehicle that should be used. Accreditation is out of date and out of reach of students, government and all other third parties.

Holder in due course is an unconscionable practice in educational lending. Neither the Department of Health, Education and Welfare nor any other federal agency should propose any exemption or special status in bankruptcy proceedings for postsecondary student financial aid funds.

Full disclosure should be further defined to include all institutional communications with prospective students. It should observe the following principles:

- (a) Prohibition of certain misleading information;
- (b) Require inclusion of certain information;
- (c) Cover all personal selling and advertising;
- (d) Securities Exchange Commission-type disclosure prospective;
- (e) Federal Trade Commission-type truth-in-lending disclosure.

SEMINAR II: STUDENT INFORMATION NEEDS AND SYSTEMS

Federal, state and local government have joint responsibilities to insure that:

- a. Public funds for postsecondary

education are spent in the public interest; and

- b. Consumers in the education marketplace are protected against false claims made by public and private schools.

Furthermore, the student should be seen not only as a consumer of education, but as a partner in the process with equal rights and responsibilities in the implied or written contract between the student and the school.

An Outline of Recommendations:

1. Through appropriate legislation the states should be assigned authority to direct the collection and dissemination of pertinent information about all postsecondary education. In addition, states should have the authority to enforce regulations pertaining to collection and dissemination of information and to audit individual schools' claims. The state agency assigned this responsibility might be the "1202 commission" or statewide coordinating agency. While this process is underway, individual states should identify all agencies affected and provide mechanisms for coordination and planning.

2. Information needed by prospective students should include:

- a. *Access information* such as program descriptions, costs, payment policies, refund policies, admissions standards, financial aid availability, procedures and criteria for eligibility, health facilities, programs of study, counseling, accreditation, grading policies and requirements for graduation.

- b. *Process information* such as academic or class-work requirements, patterns of student interaction, student-faculty relationships and disclosure of problem-solving agencies both within and outside the institution.

- c. *Outcome information* in cases where schools claim their education or training results in certain outcomes. It should be incumbent on those schools to support those claims with verifiable information. For example, if a school claims its training is likely to result in employment in a given field, if even described in a catalogue, the schools should be required to substantiate that claim.

That information should be subject to audit by an appropriate state agency.

3. The federal government, with advice from states and consumers, should establish standard definitions for information. For example, employment objectives (jobs) and costs need standard definition so prospective students can make comparisons and states can perform the audit function fairly.

4. The states and schools should define grievance and redress procedures and inform students about them. If such procedures are not available, they should be developed.

5. It is recommended that the Department of Health, Education and Welfare (HEW) immediately explore the possibility of state-level funding of the development of computerized educational information systems like Oregon's Career Information System. Because the U.S. Department of Labor is currently funding the development of occupational information systems that can readily include education information, it is also recommended that HEW explore a joint endeavor with the Department of Labor in developing these information systems.

6. Access, process and outcome information should be made available to all types of prospective and current postsecondary consumers in environments where they can get the information when they want it. For example, information could be made available through schools, employment offices, shopping centers, social service agencies, libraries and adult education councils, to name only a few. Therefore the seminar recommends continued development of community counseling services and educational information systems.

7. It is recommended that the Education Commission of the States (ECS), ERIC* or another appropriate national-level organization develop a national clearinghouse for postsecondary education information that could allow sharing information among states and their respective information delivery systems. In so doing, information should be commonly defined and collected on a national level. However, the develop-

*Educational Resources Information Center

ment of state-level information systems should take priority.

8. A follow-up conference should be planned (perhaps six to nine months hence) to determine the extent to which these and other recommendations have been acted upon, and the extent to which ECS should actively pursue their implementation.

9. A state coordinating/governing or regulatory agency for each state should schedule an intrastate postsecondary education conference for the purposes of evaluating the recommendations of the Knoxville conference and for coordinating implementation. Consumer groups, particularly students, should be participants in each state conference.

SEMINAR III: POSTSECONDARY EDUCATION INSTITUTIONAL RESPONSES

The seminar participants agreed that there are many abuses and increasing complaints concerning improper advertising by postsecondary institutions, both public and private. Institutions should assure the public of their truth-in-advertising by establishing one or both of the following:

- a publicity screening person or committee;
- an ombudsman or consumer affairs officer.

To assure an institutional "code of ethics," it is recommended that each institution develop and publish its adherence to its own code of ethics.

Each accrediting agency should help develop and insure the quality of the ethical practices of each member institution through preparation of a model, such as the Federation of Regional Accrediting Commissions of Higher Education's Code of Good Practice, to be adapted to specific institutional conditions. Accrediting agencies and state associations should review the institution's adherence to its own code of ethics.

Institutions should encourage passage of state laws which support provisions of model legislation as applied to the whole range of postsecondary institutions.

In considering how students can be counseled more effectively, two major dilemmas were identified during the seminar:

- preadmission career counseling;
- postsecondary orientation and continued counseling.

The seminar participants noted that postsecondary institutions should make available complete and accurate information to all preadmissions counseling mechanisms (that is, elementary and secondary schools as well as a broad variety of external influences).

Value of peer information exchange and advertisement should be recognized and utilized by postsecondary institutions. Upper-class students should be involved in orientation planning and execution. Contacts made during the orientation period should be expanded.

All institutions should make explicit the personal responsibility in making career decisions. Possible placements should be documented, but creativity in career choices should be emphasized.

Institutions should recognize their obligation to foster students' own awareness of their rights and responsibilities.

Effective mechanisms must be developed by the administration which allow student concerns to be identified.

The accrediting agencies should encourage member institutions to establish such mechanisms.

Institutions should employ a student ombudsman or equivalent position.

The administration should encourage student participation in such matters as:

- course and curriculum planning;
- faculty evaluation;
- policy decisions in student affairs.

And, above all, the administration should make apparent to faculty and students the ways that broadly based student input has affected the decisions made.

The seminar participants recognize an apparent lack of communication between students and administration, and recommends that a grievance procedure, including the right of appeal, should be developed and made visible and easily accessible to students. The procedure should move from the informal to the structured methods of conflict resolution.

An Outline of Recommendations:

1. Institutions should assure the public of their concern about truth in advertising by one or both of the following:
 - a. an internal publicity screening committee or person;
 - b. an ombudsman or consumer affairs officer on campus.
2. Each institution should develop and publish its own code of ethics:

- a. Accrediting agencies should prepare model codes of ethics for their members;
- b. Accrediting agencies and state associations should review an institution's adherence to its own code of ethics.

3. Institutions should encourage passage of the model legislation as applied to full range of postsecondary education.
4. Greater attention should be paid to preadmission counseling and postsecondary orientation and continued counseling once a student has arrived.
5. Postsecondary institutions should make available complete and accurate information to all preadmission counseling agencies and groups.
6. Institutions should recognize the value of peer group information and utilize students both in orientation and counseling. (Upper classmen should be involved in orientation planning and execution.)
7. Institutions should accept the obligation to foster awareness of students of their own rights and responsibilities.
8. Each institution should develop effective means of identifying student concerns:
 - a. Accrediting agencies should encourage institutions to establish such mechanisms;
 - b. Institutions should employ a student ombudsman or equivalent;
 - c. Student participation should be encouraged in:
 - course and curriculum planning,
 - faculty evaluation,
 - policy decisions in student affairs;
 - d. Institutional administration should make clear to faculty and students the impact of student input on decisions plus open as many lines of communication as possible.
9. A grievance procedure including the right of appeal should be developed in each institution and made visible and easily accessible to students. The procedure should move from informal to structured methods of conflict resolution as necessary.

SEMINAR IV: REGULATIONS AND SAFEGUARDS

It was stressed throughout the seminar that the consumer is better educated today than ever before yet still needs better lines of communication open for his or her benefit, especially in the area of education. Governments should only have the authority to safeguard dollars spent and should not make educational judgments.

There must be a 100 per cent concern expressed by each area of the tripartite (state-federal-institution) if the consumer is to be protected. There should

not be a shared responsibility, that is, 33 per cent per group, to address the problem.

If there is an agency role conflict, is this counterbalanced by what accrediting bodies do in establishing accountability for federal aid distribution? Can there be an overlap of role? If there is, does this create a problem? There should not be, in that overlap properly administered can be beneficial.

It must be stressed that accrediting bodies cannot and must not act as policemen. That function is reserved for the states and federal government. We must not continue to force that role on the accrediting bodies and perhaps the Congress was wrong in making accreditation the apparent single most important factor for funding eligibility.

The state was focussed on as the first most important part of the triangle since it is the entity given educational oversight by the U.S. Constitution. Should we have a "sliding scale" going from a good state to a "no law" state whereby flexible federal control or assistance should be given? This was not too readily acceptable due to historical arguments in the states relative to control of all education. Again the point was made that we are forgetting the public and private institutions in this question of consumer protection.

A better system of information exchange is needed and there is also a need to identify all concerned agencies. We need one clearinghouse for educational information and another one for information on frauds, deceptive practices and misrepresentation. It was noted that the Education Commission of the States' (ECS) model legislation contains no clause for the establishment of data banks. It was emphasized that many states still have weak chartering laws that make it easy for shoddy operations to start.

Based on the discussions of the above issues, the seminar participants made the following recommendations:

1. There should be a national clearinghouse established for the storage and dissemination of data relative to consumer protection (preventative as well as corrective).

2. A state clearinghouse also should be established.

3. Federal funds should be allocated for agency implementation on predetermined eligibility criteria and for fi-

nancing a data center on predetermined eligibility criteria.

4. States must coordinate related education agencies to insure a smooth flow of information relative to postsecondary education consumer protection.

5. The ECS model legislation might be expanded to include a state clearinghouse or data bank.

An Outline of Recommendations:

1. Establishment of a national clearinghouse for storage and dissemination of data relevant to consumer protection (preventative as well as corrective).
2. Establishment of clearinghouse within each state.
3. Federal funds should be allocated for agency implementation in each state based on established criteria.
4. Federal funds should be allocated for financing of data centers on predetermined eligibility criteria.
5. States should coordinate related education agencies to insure a smooth flow of information relative to postsecondary education consumer protection.
6. ECS model legislation should be expanded to include provisions for a state clearinghouse or data bank.
7. One hundred per cent effort is required by each member of the tripartite arrangement (federal, state, educational and consumer agencies).

SEMINAR V: FULL INSTITUTIONAL DISCLOSURE

The seminar considered the central question: what are the basic kinds of information postsecondary institutions should disclose to education consumers? In intensive sessions over the two-day period, the panel produced three types of recommendations:

1. *Guidelines for the Formulation of Disclosure Requirements.* Early in the discussions, it became clear that in order to develop a disclosure policy appropriate to a given situation, some basic questions had to be addressed: Why disclosure? What kind of postsecondary institutions are involved? Disclosure to whom? Since these questions will be answered differently in different contexts, no uniform or "single best" policy would fit all situations. However, a number of points surfaced which the participants believe should be taken into account by any group attempting to develop a disclosure policy. These are proposed in the form of guidelines.

2. *A Disclosure Checklist.* Discussion of a prospectus list of informational items to be disclosed led to a draft which is recommended for consideration by all agencies and groups developing a disclosure policy. The participants recommend that the majority of items on the list should be disclosed by postsecondary institutions, though the intended purposes, types of institutions and audiences to be served by the disclosure would have to be specified before the list could be applied to a particular situation.

3. *Recommended Disclosure "Agenda."* One of the major outcomes of the discussion was the identification of key issues which should be given attention by appropriate authorities. The seminar participants recommend that these issues be taken as an urgent agenda for further discussion and action.

A. Guidelines for the Formulation of Disclosure Requirements

1. Disclosure requirements mandated by state agencies and other groups should serve clearly specified audiences, and the information presented should be in a form which is demonstrably useful to these audiences.

2. Disclosure requirements mandated by state agencies and other groups should be based on cost-benefit calculations, and priorities should be established among types of information required.

3. Disclosure requirements intended to benefit students should be distinguished among three types of information: (a) information which prospective students actually use in determining what type of postsecondary institution to attend; (b) information which students, in the judgment of some authorities, should use as a basis for enrollment decisions; and (c) information about postsecondary education which students have a right to have, upon inquiry, and which should therefore be available in the public domain.

4. All items of information which postsecondary institutions are required to disclose for the benefit of students should be pretested on a sample population of students before becoming a permanent feature of regulatory policy.

5. While institutional differences must be recognized, disclosure requirements, to the extent possible, should apply to all postsecondary institutions. This pertains, in particular, to requirements for disclosure of the financial

obligations to be born by students upon enrollment in postsecondary institutions.

B. Disclosure Checklist

The seminar participants propose four types of information which should be disclosed by postsecondary institutions and recommend consideration of a number of specific informational items within each type.

1. Basic institutional identification and rules of governance:

- a. Name and address of the institution, of the institution's key officials and governing authorities;
- b. A calendar showing legal holidays, beginning and ending dates of course work and other important dates;
- c. The total student enrollment at the institution;
- d. Rules and standards governing admissions, and granting of credit for prior education and training;
- e. Rules and standards concerning student conduct and grounds for dismissal relating to misconduct;
- f. Rules and standards relating to academic progress, minimum grades and conditions for dismissal for academic reasons.

2. Financial costs and student financial obligations:

- a. Detailed schedule of fees, charges for tuition, books, supplies, tools, student activities, rentals, deposits, housing fees and all other charges;
- b. Policies relating to tuition and fee increases in periods after students have enrolled;
- c. Policies relating to the refund of the unused portion of tuition, fees and other charges in the event the student does not enter courses or withdraws from the institution. These shall include disclosure of:

- how notice of cancellation is to be given,
- to whom notice of cancellation is to be given,
- how effective date of cancellation is to be determined,
- maximum elapsed time between cancellation and acknowledgement of cancellation,
- maximum elapsed time between cancellation and refund,
- an explanation of nonrefundable fees or charges, and
- an explanation of policies relating to holder in due course;

d. Description of institutional participation in federal grant and loan

programs, including availability of these funds to students, conditions of eligibility and terms of repayment;

e. Institutional financial statement, and reference to other sources of information on institution's financial viability.

3. Educational resources, processes and content:

- a. Description of available facilities and equipment;
- b. Descriptions of institutional, program and course-level educational objectives;
- c. Extent and nature of the institution's placement assistance;
- d. Description of methods used by institution, if any, to determine employment needs in the occupations or professions for which training is provided;
- e. Description of process and resources (e.g., guidance counseling) by which institution facilitates choice of program and/or major field of study by students;
- f. Qualifications of instructional, administrative and counseling staff;
- g. Description of range of optional ways in which students can complete educational requirements (including self-study, lecture attendance, laboratory work, etc.);
- h. Student-teacher ratio.

4. Indicators of institutional effectiveness:

- a. Names of institutions, if any, which will accept credit transfer, without examination of the student, including an explanation of the credit transfer arrangement;
- b. Information concerning ability of institution to meet federal or state licensing requirements, and recognition of the institution by accrediting agencies, associations and unions;
- c. Numbers of students who graduate and percentage of graduates relative to percentage of students who enroll;
- d. Relationship of education and training provided to employability:

- number and percentage of graduates who obtain employment in the occupation of field for which trained,
- number and percentage of students who obtained employment in the occupation or profession for which training was provided prior to graduation,

-number and percentage of graduates who obtain employment in a closely related occupation or profession,

-number and percentage of graduates who received advancement in present employment which can be directly attributed to the completion of the program,

-number and percentage of graduates who did not obtain employment but were available for employment,

-number and percentage of graduates for which employment information is not available, and

-names of companies, firms, corporations, etc., which employed recent graduates;

e. Salary ranges of recent graduates;

f. Sample survey data on students in residence and students who have graduated concerning the relationship between their expectations of the institution and the realities of attending the institution;

g. Evaluations of instructional performance.

C. Disclosure Agenda

All seminar participants believed strongly that more information should be disclosed by postsecondary institutions. At the same time, a number of panel members were concerned that consumer protection might become not an objective but an excuse for imposing informational requirements on institutions which served no clearly specified audience needs, or worse would yield data which would mislead and confuse rather than help the student and other citizens. From the discussion there emerged a number of key issues for further consideration:

1. Assuming that it is desirable to provide students with information concerning not only the total enrollment of an institution but enrollment relevant to the particular educational contexts the student will experience (classes, programs), how can this be done? What is the most relevant and meaningful indicator of institutional size?

2. Research suggests that students are affected by the student-peer environment more than by many other characteristics of an institution. How should information about this peer environment be provided to prospective students?

3. Many seminar participants strongly urged the disclosure by all postsecondary

institutions of aggregate data on the employability of graduates. Others cautioned that: (a) such data says more about the vagaries of the local employment market than the effectiveness of the institution's education, (b) the time period needed for determining whether the graduate had received appropriate skills would be over a career line of five to seven years and (c) this data misrepresents the agendas of those institutions which seek education rather than narrow training. Under what circumstances can—and should—indicators of employability be used? What do they indicate?

4. The seminar participants also discussed, without reaching a conclusion, the problems involved in requiring the disclosure of attrition data. Members pointed out that dropping out could be a measure of institutional success, as well as ineffectiveness, and that attrition rates indicated very different things about an institution with selective admissions. What are the appropriate uses, if any, of attrition information?

5. As an alternative to the use of aggregate data on employability and attrition, some panel members strongly urged the use of surveys of student satisfaction taken while students were in

the institution as well as after graduation. To what extent are student satisfaction surveys an appropriate indicator of institutional effectiveness? How should they be used?

6. The seminar participants thought that more career and employment information should be made available to prospective students but were uncertain about what responsibility postsecondary institutions should assume, or be required to assume, for providing this information. The seminar participants agreed that postsecondary institutions might most effectively function as a referral service to other sources of data and encouraged exploration of how this linkage role might be best implemented.

An Outline of Recommendations:

1. Basic information and rules of governance—name, place, traditions, admissions standards, educational standards, student conduct standards, etc., should be disclosed.
2. Financial costs and obligations students incur—should be applied across the board to all postsecondary education institutions.
3. Education resources, processes and contact—e.g. faculties, facilities, placement capabilities, etc., should be disclosed.

4. Indices of institutional effectiveness:

- a. Limitations of data on employment of graduates—may furnish more on vagaries of local employment scene than on effectiveness of institution;
- b. Possible development of "satisfaction survey data"—questions as to whether institution met expectations—in residence, one year out, two years, five years.

5. Types of information:

- a. Information students use in making education decisions; comparable information about institutions; should be pretested on students and not too voluminous;
- b. Information students should use—e.g. employment data;
- c. Information on why students go to college—valuable to institutions
- d. Information for licensing boards, etc., about institutions.

6. Full disclosure areas:

- a. Accurate and full disclosure of availability of employment opportunities and placement record;
- b. Students complete financial obligation including cancellation rights, refund policy and "holder in due course"
- c. School's dropout rate, enrollment process and admission standards;
- d. Course content and purpose, teacher qualifications and availability of acceptable resources;
- e. Nature of obligation, extent of indebtedness, method of repayment and meaning of participation in federal grant and loan programs.

ADDENDUM I: THE FEDERAL INTEREST IN POSTSECONDARY EDUCATION CONSUMER PROTECTION

Virginia Y. Trotter
Assistant Secretary for Education
Department of Health, Education and Welfare

This conference marks an important and historic point in our progress toward making consumer protection in postsecondary education a reality. Just eight months ago, the first national conference on this topic was held in Denver. It was the first time representatives of the federal and state governments, institutions and consumer groups, industry, students and the public met together to share common concerns and begin thinking about solutions. This second conference indicates the success of bringing together such diverse interests.

Since that first conference, much has happened which focuses on the importance of consumer protection in postsecondary education.

First, the press has done a fine job in exposing some of the glaring abuses—especially in Boston and in Washington. Second, in the U.S. House of Representatives the subcommittee of the Government Operations Committee has held hearings on proprietary school activities and the Special Subcommittee on Education has held hearings on institutional eligibility. In the United States Senate, Senator Pell's Subcommittee on Education of the Labor and Public Welfare Committee has also held hearings on these topics.

Third, there has been considerable discussion of the recommendations of two reports sponsored by the Department of Health, Education and Welfare (HEW): the Newman Report* and the Report on Private Accreditation and Public Eligibility.** Fourth, the Federal Interagency Committee on Education has just approved, in principle, a federal strategy report by its subcommittee on consumer protection in postsecondary education.

This is only part of the background to these meetings. Much has been happening in the states, in the associations

and elsewhere, which needs to be reported and analyzed. However, I would like to concern myself mainly with the federal interest in this area.

I think there are two kinds of consumers of postsecondary education. The first is the direct consumer—the student. He or she invests time, energy and resources in obtaining an education and expects to receive a return on that investment. The return may be immediate, in terms of experiencing a satisfying educational or social experience. The return may also be long term in the form of a higher income, a better job and a more fulfilling life.

The second kind of consumer is the indirect consumer—society. For nearly 200 years there has been public support of postsecondary education in America. In the past three decades the level of public support has grown tremendously. Contributions from federal and state governments now constitute nearly two-thirds of the roughly \$30 billion industry that is now postsecondary education. This public support—this indirect consumption—of postsecondary education is based on a number of assumptions, of which perhaps two are more widely held than others. These are: (1) higher levels of education and training make a net contribution to the economy and society and (2) equal opportunity in adult life requires equal access to postsecondary education.

These national purposes in supporting postsecondary education have had special relevance for the federal government. The federal government has been moving more and more in the direction of placing actual investment decisions in the hands of individual students in the form of student aid. Therefore, the federal responsibility for seeing that its dollars are well spent rests increasingly on two forms of assurance: (1) the criteria (or mechanisms) by which postsecondary institutions become eligible for receiving federal student aid (that is, guaranteed loans, basic grants, etc.) and (2) the process by which students decide in which eligible institution they should invest their federal dollars. The discussions

in these two areas at this conference will be useful as we consider alternatives to current practices in the months ahead.

These national purposes and the very size of the federal investment explain the federal interest in consumer protection in postsecondary education. I believe the federal role in this area is four-fold and includes the following components:

1. The federal government should devise rules and regulations which can be implemented by appropriate authorities for the protection of the individual and the public interest in areas of specific abuse. For example, the proposed regulations relating to the Guaranteed Student Loan Program and to the procedures for approving accrediting associations. Both of these proposed regulations have consumer protection features written into them.

2. The federal government should support the development and testing of methodologies that will permit the better performance and regulation by appropriate authorities of activities in the individual and public interest. Here an example is the competition the Fund for the Improvement of Postsecondary Education will be holding this fiscal year to develop a postsecondary institutional "prospectus." I think this will result in a major step forward in our knowledge relating both to criteria for institutional eligibility and to the information which students need to make intelligent choices about their education.

3. The federal government should provide national support, coordination and encouragement to the many interests and activities devoted to consumer protection. There could be no better example of this than these two conferences, which the federal government has helped to organize and financially support. There are also a number of other ways in which the federal government can carry out its role. These will be discussed in the workshop sessions.

4. The federal government should help educate consumers about their

*The Second Newman Report: *National Policy and Higher Education*. Report of a Special Task Force to the Secretary of Health, Education and Welfare, Frank Newman, chairman. Cambridge, Mass.: The MIT Press, October 1973. pp xvii, 227.

**Harold Orlans, study prepared for the U.S. Office of Education, 1974. In preparation.

rights and responsibilities. There are many aspects of this part of the federal role. One of the most important is student financial rights and responsibilities. For example, the Congress has created and the Department of Health, Education and Welfare has administered two major student aid programs.

The Basic Educational Opportunity Grants Program was a historic breakthrough because it established that every student had the *right* to some federal aid to attend a postsecondary education institution. In contrast, the Guaranteed Student Loan Program, is one in which students have the *responsibility* to repay the money they have borrowed. We must all be concerned that students fully understand their obligations under this program before they legally commit themselves.

There has never been, and I believe

there should not be, an all-encompassing role for the federal government comparable to a ministry of education in another country, where national governments are charged with the responsibility of funding, planning and management education. Rather, the federal government has concerned itself with creating the conditions under which the educational needs of American society are most likely to be met. If anything, the American approach is more demanding, requiring both imagination and prudence.

There are almost as many visionary notions about what education's future shape should be—as there are school critics. Today, I believe, diversity is necessary. A respect for the differences in students' backgrounds and interests must guide postsecondary institutions as they too rethink their objectives.

The fundamental purpose of edu-

cation is to help people prepare for the future. We need to have some sort of image of the future, some sort of image of what the world is all about—in order for us to produce an *image* of the kind of values which will be appropriate for the world ahead.

Daniel Webster expressed it so eloquently:

If we work upon marble, it will perish; if on brass, time will efface it; if we rear temples, they will crumble into dust; but if we work upon *immortal minds*, and imbue them with principles, with love of our fellow man and with sense of value, of faith, of integrity, then we engrave on those tablets something that will brighten to all eternity.

ADDENDUM II: THE CONSUMER'S NEED FOR PROTECTION IN THE EDUCATIONAL MARKETPLACE

Virginia H. Knauer
Special Assistant to the President for Consumer Affairs

Three years ago I was privileged to address the annual meeting of the Education Commission of the States. Then we talked about the need for consumer education as a way of helping the consumer to protect himself in the traditional marketplace. Now we are looking at a problem that was scarcely recognized three years ago—the consumer's need for protection in the education marketplace.

Only now is the student gaining recognition as a consumer. The needs of the student consumer, and the problems he or she encounters as a purchaser of educational services, have long been overlooked because we did not think of the student as a consumer. We thought educational and training programs were different from commercial goods and services. We did not expect to find that the abuses of the traditional marketplace are also at work in the education marketplace.

For the past 30 years, consumer protection efforts have focused on the conventional marketplace. Meanwhile, education consumer problems have been growing and complaints show the trend. One division within the U.S. Office of Education reports that its complaint volume has doubled each year for the last three years. The Better Business Bureau also reports increases in their substantial volume of complaints about proprietary vocational schools.

The Second National Conference on Consumer Protection in Postsecondary Education, following up on the conference in Denver last March, was called to give us a chance to work together to resolve problems in the selling of postsecondary education. At the first conference many of these problems were identified. The student consumer is frequently victimized by misleading advertising, high pressure sales tactics, inadequate facilities and unfair refund policies. The low-income, undereducated man or woman is often talked into signing up for a course with promises of high-paying job opportunities that do not

NOTE: This text is the basis of Mrs. Knauer's oral remarks and should be used with the understanding that some material may be omitted or added during presentation.

exist. The potential student's highest hopes for self-improvement are appealed to for the most basic reason—to get his money or the government's. If the student gets discouraged and drops out, his contract may still squeeze him for the full tuition. In fact, some unscrupulous vocational schools count on a high drop-out rate to make money.

When the consumer is sold an unsuitable course of study or when the training he buys is inadequate to prepare him for the job he seeks, it is the consumer who loses. He is left with debt and despair. His credit rating may be jeopardized and his disillusionment may leave him permanently embittered about education. The federal government is often the loser too. Whether a student defaults on a government-insured loan because he has been cruelly misled, or because he cynically ignores his debt, it is the state or federal government that ends up paying. Therefore, the taxpayer has a stake in ensuring that the consumer receives full value for his education money. The taxpayer also has a stake in ensuring that the consumer understands his responsibility to repay a federal loan.

The consumer abuses in the education sector are just as flagrant as those we find in other sectors of the economy, such as mail order fraud or medical quackery. And we must recognize that we can't just blame a few fly-by-night operators for the problems. The complaints we see involve major companies with good national reputations.

I would like to point out a few case histories that have come to my attention because they illustrate the complexity of the consumer protection problem and the personal tragedies involved. As we try to find solutions, we need to remember that we are dealing with people's lives and potential livelihoods, as well as with vast sums of money.

Three years ago a young Vietnam veteran, of Spanish-American descent, responded to an ad that promised tremendous employment potential for anyone who completed a correspondence course in home entertainment electronics systems. The veteran had been laid off 10 jobs that year and was eager for a

more secure future. The availability of federal funds made this young veteran an attractive prospect to the salesman who signed him up for over \$1,200 worth of lessons and equipment. The salesman arranged for a federally insured loan which the veteran expected to pay off with his veteran's education benefits on a lesson-by-lesson basis. The loan, of course, was made by the parent company which also manufactured the equipment. It all seemed very easy to the veteran until he started on the lessons. He soon found that he did not have the aptitude or experience to complete the course and decided to cancel the lessons. He discovered, however, that his contract required him to pay for the full tuition and much of the equipment—a total of \$875. That is a high price to pay for a shattered dream. The student's loss was the company's gain. It retained the equipment the student had paid for and when the student balked at paying, as he did in this case, the lender was protected by the federal guarantee on the loan.

We also hear of many cases where students do not receive the training they have paid for, where the facilities are inadequate and the staff is untrained. A student who enrolled in a fashion merchandising course was switched, without her consent, to a receptionist curriculum because the course she had paid for was not even offered. Students in secretarial courses often find that there are not enough typewriters to go around. One student, who has now defaulted on her federally-insured loan, had a math teacher who admitted knowing nothing about math but offered to learn along with the students. The job placement services offered by one school turned out to be nothing more than clippings from the want ads of the local paper.

Although most of the consumer problems we hear about involve profit-making technical or home-study schools, students at public and private nonprofit schools also encounter abuses. For example, a doctoral candidate at a state university complained that the requirements for his doctorate had been changed after he enrolled. When he failed the newly required exam, he could not find out what his grade was. He also found

that most of his credits were not transferable. Other complaints about non-profit education institutions include abrupt tuition increases, delays in providing qualified instructors or equipment and unwarranted substitution of professors.

Where can the education consumer turn for help? Who is looking out for his interests? Who has the authority to crack down on the abuses? The answer is everyone and therefore no one. Authority for setting standards, approving schools or funding student financial assistance is so fragmented that no one agency or institution has full responsibility. The education consumer is left in a vacuum. The purpose of this conference is to find ways to fill that vacuum. Each of us has expertise in some aspects of the problems, whether we are state or federal officials, educators, students or representatives of consumer organizations. Our challenge is to transcend our parochial viewpoints so that we can see the consumer's problems as a whole and then act accordingly.

Fortunately, we are not starting from zero. In the past two years we have made significant progress in recognizing the existence of consumer problems in education. We have also taken some of the first steps in strengthening regulations to combat these abuses. The press has played a key role in exposing the abuses consumers encounter in postsecondary education. In March 1974 the *Boston Globe* published an outstanding series of articles describing the ways Boston consumers were exploited. The *Washington Post* also did an excellent series on consumer problems with technical schools and home-study courses.

Congress has now launched several investigations into what the federal government can or should be doing to protect education consumers. Senator Claiborne Pell, chairman of the Senate Subcommittee on Education, held hearings this past fall on why students were defaulting on their guaranteed loans. Congressman James O'Hara, chairman of the House Special Subcommittee on Education, conducted hearings on accreditation and institutional eligibility to participate in federal student aid. I think we can expect growing interest from Congress.

The states are also becoming more active. Tennessee's Representative Tom Jensen spearheaded the model state leg-

islation on approval of postsecondary educational institutions. When I headed Pennsylvania's Bureau of Consumer Protection, I saw at first hand how important it is for the states to actively protect the student consumer. We worked through school guidance counselors to alert students to the pitfalls of unscrupulous home-study and vocational-training programs and absconding charm schools.

At the federal level, at least 12 agencies share in the responsibility for protecting the consumer of education services. To coordinate federal efforts, the Federal Interagency Committee on Education (FICE) established a subcommittee on consumer protection in postsecondary education. The subcommittee's strategy report recommends ways that federal, state and private organizations can act to reduce consumer abuses.

The Office of Consumer Affairs took an active part in writing the strategy report and in helping to organize both the Denver and the Knoxville consumer protection conference. We have worked within government and with consumer organizations to promote recognition of the student as a consumer with rights and responsibilities.

You are familiar with some of the steps that federal agencies have already taken to protect education consumers; including the Office of Education's proposed regulations on guaranteed student loans and its new criteria for recognizing private accrediting agencies. The Veterans Administration now requires a 10-day reaffirmation period and ensures that students pay only for the training they receive. The Federal Trade Commission's (FTC) proposed trade regulation rule covering profit-making vocational and home-study schools would give prospective students a 10-day cooling-off period. It would also guarantee them a fair refund policy and would require disclosure on the prospects of getting a job as a result of the training.

Issues such as disclosure and complaint handling are new to the education world, but consumers have been pressuring the business community on these for years. It would, therefore, be helpful to examine how business is tackling similar problems. Business, of course, still faces critical consumer problems, but some companies and industry trade associations have responded with innovative solutions and a willingness to experiment. For example, some now in-

volve consumers in developing policy. Consumer vice presidents and consumer advisory committees help progressive companies or trade associations to anticipate consumer needs and thus forestall consumer problems. I have worked with a number of industries on improving disclosure through labeling and other point of sale materials. I have also worked with several industries to improve complaint handling by involving consumer representatives in industry's complaint handling mechanisms.

Many of industry's innovations are still experimental. However they are important because these efforts address such issues as public responsibility, disclosure and redress. These issues are as critical in education as they are in commercial enterprises. One of the reasons consumers are encountering abuses in education is that we have failed to recognize that the education community is responsible to the public, not just to itself. Education institutions often lack mechanisms for ensuring that the public, including the student, has a voice in setting goals and standards.

This problem is evident in the accreditation process, for example. Although accreditation is a private function, its purpose is public. Too often the public interest in accreditation as a valid measure of a school's standards is neglected. Critical information on full or partial accreditation is frequently hidden from the consumer and, as far as I know, no students have been included on accrediting teams. The U.S. Office of Education's new criteria for approving accrediting agencies will promote consumer protection. Likewise, efforts recently made by the major accrediting agencies to include public members will serve the public interest.

There are many facets to the public responsibilities of education institutions and programs, but I shall mention just one more. We know of many cases where a school made no effort to determine whether the potential student possessed the aptitude to benefit from the program being offered. Now that many schools, both collegiate and vocational, are faced with declining enrollments, there is further incentive to recruit students whether or not they are capable of completing and benefiting from a course. To enroll students without determining their aptitude or suitability for a program is a cruel and irresponsible waste of the

education consumer's time, money and hopes. Under the proposed Guaranteed Student Loan Program regulations, vocational schools would have to consider the student's aptitude.

Many of the education consumer's problems boil down to the issue of disclosure. Consumers often do not get the facts they have a right to and need to make wise choices. Television ads, school brochures and the salesman's pitch all may provide information; in many cases they also contain misinformation. At present the salesman has more to gain than to lose by exaggerating what his school offers. Ensuring that the information consumers get on education programs is complete and accurate is a tremendous challenge which will take perennial vigilance. The new Office of Education and FTC proposals give particular emphasis to requiring disclosure on the realities of job placement. What other information should the consumer have? How can it be presented so that the consumer can evaluate it? And what should be the penalties for misinformation?

I urge you to look at the role of federal and state governments and consumer organizations in promoting consumers' awareness of what they should be looking for in postsecondary education. How can we work with schools and guidance counselors to help prospective students make productive use of disclosures required by government regulations? How can consumer organizations inform the public of their rights and responsibilities?

Disclosure is a problem on loan agreements as well as on a school's offerings. The shockingly high default rates on guaranteed student loans demonstrate that we are not conveying our message to the student concerning his rights and responsibilities when taking out a loan. The General Accounting Office estimates the overall default rate for student loans to be 25 per cent. The default rate for students attending profit-making schools is 50 per cent — which comes to four times the rate for students at nonprofit institutions.

We do not even know why students are defaulting. To what extent are students deliberately cheating the federal government? And to what extent are they

defaulting because they themselves have been cheated or misled? We know that sometimes salesmen tell students that they have to repay a loan only if they get a job. If a student defaults because he was misled about an educational program or the terms of a loan, how can we place the burden on the school, not the student? And how can we write loans in a way that clearly states the consumer's obligation whatever the salesman says to the contrary?

As we shape policy on disclosure, we should look at some of the efforts that have been made by other government agencies and by business to provide information simply and directly. For example, the Interstate Commerce Commission now requires movers of household goods to give consumers a booklet that explains their rights. Many appliance warranties have been simplified so that the consumer knows exactly what are his rights and obligations.

Economic security is a third issue of concern to the business world and education community alike. At present, the student consumer can lose his entire financial investment if his school closes or if he drops out before completing his educational training. Existing Veterans Administration's regulations and the proposed Office of Education and FTC rules would guarantee students who drop out a fair refund on the unused portion of their investment.

The Office of Consumer Affairs has given high priority to improving the machinery of consumer redress in government and in industry. Now we urgently need to focus on the education consumer's complaints. Because so many agencies and institutions share responsibility for protecting the education consumer, students often do not know where to turn when they encounter a problem. We know that for every complaint we receive, many more abuses go unreported. As a first step, my office is working on a standard education complaint form.

Complaints are a valuable indicator of consumer problems. They can help us to detect trends in patterns of abuse. In addition to responding to the individual consumer's complaint, we need to develop mechanisms for using consumer complaints as research and enforcement

tools so that the bad experience of one student can be used to protect the next student. Student complaints can help accrediting agencies do a better job of evaluating institutions and programs. Complaints can also help regulatory agencies in their enforcement efforts. How can we channel the many individual consumer complaints so that they serve as an effective expression of the public's experience and needs?

I have raised many questions. I look forward to translating our discussions into action.

ADDENDUM III: A LEGISLATOR LOOKS AT CONSUMER PROTECTION IN POSTSECONDARY EDUCATION

Joseph C. Harder
State Senator, Majority Leader and Chairman,
Education Committee, Kansas

Dr. Trotter said that the role of government is not to manage education, but to create the environment in which it will flourish. I agree with this observation, but I submit that it applies more to the role of state government than at the federal level because it is the state that is responsible for creating the environment in which education will flourish or wither.

I say this because, traditionally it has been the states that have set the tone and provided the framework in which the system of postsecondary education exists. It is the states who have the responsibility of educating their citizens and providing for institutions of learning. It is the states, not the federal government, that have the history of working to provide for quality education. It is the states that have the greater opportunity to solve the problems we have been discussing at this conference.

The real answers to the problems of consumer protection in postsecondary education should come from the states, and, more specifically, from state legislatures. I don't agree that the states have abdicated their responsibilities in this area or that they do not have the tools they need to come up with meaningful solutions.

As a state legislator, I have been involved for a number of years in creating the environment for postsecondary education in Kansas. As a member of the body that controls the purse strings, that has the power to grant authority to various boards, and has the power to create new educational institutions, or close the ones we have, I realize the important role the legislature can play. Most recently, I have participated in the development of a legislative planning commission that is charged with planning for all of postsecondary education. I think that these are some of the means by which we, at the state level, are able to address ourselves to the tasks at hand.

Virginia Knauer told us that consumer problems have been growing and complaints show this trend. One division within the U.S. Office of Education reports that its complaint volume has doubled each year for the last three

years. If you will allow me to make a personal observation, Kansas is experiencing a somewhat different trend. Prior to the enactment in 1971 of the Kansas Proprietary School Act, the attorney general's office received in excess of 400 complaints per year involving proprietary trade schools. After passage of this act, complaints dropped to an average of 65 per year.

This decrease was due to the Kansas legislature taking positive action in the area of consumer protection. The Kansas legislature not only passed and implemented the Proprietary School Act, but has also enacted a consumer protection act providing for civil penalties and much of the same relief proposed by the Federal Trade Commission rules and regulations.

Dr. Trotter suggested that the federal government establish enforceable rules and regulations to protect the consumer of postsecondary education. I have just completed reading the rules and regulations proposed by the Federal Trade Commission concerning advertising, disclosure, cooling-off and refund requirements relating to proprietary, vocational and home-study schools. Although I wholeheartedly endorse the concept embodied in these regulations, it is conceivable and perhaps more practical that the individual states can do a better job of policing in this area than can the federal government.

The individual states are perhaps more cognizant of the manpower training needs in their geographic areas than is the federal government. This being the case, it would be less expensive and easier for established state agencies to regulate the advertising and recruitment policies of the institutions they govern. It is up to the individual state legislatures to take affirmative action. If they wait for the federal government to establish regulations, these regulations may not be appropriate for each state's need.

These same rules and regulations may be expanded to cover the public sector of postsecondary education. In many states there is a definite need to make junior colleges, state colleges and universities more accountable in the area

of career preparation. In Kansas alone, there are 24 institutions of higher learning that offer degrees in elementary and secondary education. This is a gross misuse of educational resources as there are very few jobs available, at the present time, in the teaching profession, unless it is in the area of specialized services. For many students, regardless of the quality of their education, it is of little relevance if it does not prepare them for a job after graduation.

There are several solutions to this problem of the oversaturation of job markets. First, many duplicative programs at state colleges and universities could be consolidated. Second, the state could establish learning centers or consortia. Many of the same programs offered at the colleges and universities could be consolidated to the point where they would be offered at only one or two institutions. Third, states should fund their institutions of higher education on a program basis rather than a full-time equivalency basis.

These points are not irrelevant to consumerism in postsecondary education because the consolidation and regrouping of programs would relieve the "recruit students at any cost" attitude which might well prevail in the era of declining enrollments.

But all of the rules and regulations devised are not enough if the student is not prepared to assume the role of an informed consumer. Being an informed consumer is a process that must be started early in a student's education. It cannot be assumed that upon graduation from secondary school a student will have the knowledge he or she needs in order to make an enlightened choice as to the type of postsecondary education he requires. I believe it is the states' responsibility to provide this information for the student. Kansas has implemented career education and consumer education in elementary and secondary schools. Kansas is also attempting to provide guidance on both the elementary and secondary school level. Career education hopefully will provide students with enough knowledge relating to job markets and the multiplicity of occupations

available to them so that they can make informed choices concerning the occupations they will enter.

Another area in which concern has been expressed relates to students' rights at our colleges and universities. Many problems exist but we have made some progress toward their solutions. For example, at several Kansas universities, student grievance committees have been formed to hear student complaints. One such committee has been established at Kansas State University. This consumer protection committee is organized under the auspices of the student government. Originally, the committee was set up to assist students as consumers in their relations with merchants and landlords. The committee has enlarged its scope to hold hearings on matters that involve students' grievances against the university itself in matters such as refunds and administration policies. More colleges and universities should do the same thing, and I think all legislatures should make line item appropriations to provide direct

support for this kind of function at the university level.

For a number of years, I have been convinced that some college administrators and faculty have protected their own interests at the expense of students. As a legislator, I have detected a certain resentment whenever the legislature attempts to invade the bailiwick of higher education. This resentment is based on the argument that academic freedom demands that institutions of higher learning be free from outside pressures. But if outside pressures are necessary in order to protect the rights of students, then the legislature has a positive duty to perform.

Another area that concerns me is recruitment. As enrollments stabilize, and in many cases decline, the colleges and universities are actively competing for students. I know of instances where private colleges offer prospective students a discount if they induce other students to enroll. If enrollments continue to decline, I foresee a grab for warm bod-

ies that could result in institutions making indiscriminate promises to students and could jeopardize the progress that has been made in the area of students' rights.

These are some of the things legislatures are or should be doing in the area of consumer protection. I am also aware of the unwillingness of many legislatures to tackle the problems and of the unwillingness of educational institutions to change. I am experiencing this now as I work with our educational planning commission. We all agree that changes need to be made, but as soon as we get down to specifics, such as which programs need to be curtailed and which institutions need to be changed, we encounter enough opposition to cause the faint-hearted—perhaps I should say cowardly—to abandon their commitments and move on to safer ground.

I think this illustrates the real nub of the problem for the states. They must be willing to attack sacred cows, to challenge the status quo and to rethink traditional ideas.

ADDENDUM IV: MAJOR RECOMMENDATIONS OF THE FIRST CONFERENCE ON CONSUMER PROTECTION IN POSTSECONDARY EDUCATION

1. That the states should provide by legislation or by administrative mechanisms, minimal consumer protection safeguards that would assure proper redress for every student residing in the state. Illustrative of minimal safeguards are:

- a. Equitable refund and restitution policies for tuition and fees.
- b. Licensing and bonding requirements for agents.
- c. Specifications for contractual relationships.
- d. Minimum standards relating to advertising and recruitment.

Moreover, the U.S. Department of Health, Education and Welfare and the Veterans Administration should consider withdrawing funds from those schools that fail to comply with these minimal safeguards.

2. That the U.S. Office of Education should maintain continuous review of its standards utilized for designation of recognized accrediting bodies, with issues of consumer protection in mind.

3. That there be created a federal tuition insurance corporation that would have as its essential purpose the protection of students and their records when postsecondary schools close.

4. That the Education Commission of the States serve as a catalyst for the development of a clearinghouse of information, which in effect would be a data bank of information on all postsecondary education programs. Such a data bank would enable students, prospective students, counselors and other consumers of postsecondary education services to make informed judgments regarding selection of institutions and/or the programs that would be responsive to their needs. Illustrative of such data would be requirements of admission, cost of attendance, refund policies, transferability of credit, actual job placement and other assistance available to graduates or those who attend such programs. (While it is recognized that a great deal of this information exists, there does not exist a comprehensive single source of such information systematically collected and updated for all of postsecondary educa-

tion. It is in this context that the recommendation is offered.)

5. That there be improved links of communication between consumer organizations and education groups. It is essential that the recommended information clearinghouse have this as an essential purpose. This would provide for sharing of information with groups such as regulatory agencies, accrediting associations, statewide coordinating agencies and federal agencies, all sharing vital information about postsecondary education institutions and their constituents with mutual understanding and trust.

6. That in terms of advertising and recruitment, there should be disclosure by the schools based on their proven placement record and graduate assistance if such material is used as the basis for advertising or recruitment, actual or implied.

7. That there be made available at each postsecondary education institution adequate administrative procedures, involving student participation, for acting upon student complaints pertaining to institutional learning experiences as well as student complaints pertaining to institutional management of student life, activities or disciplines.

8. That all postsecondary education institutions should consider offering some educational training and experiences which would familiarize students with their consumer citizen roles.

9. That the report of the conference and its recommendations be disseminated to policymakers and educators at all levels, particularly legislators at the state level.

10. That there be assembled a followup conference, with conferees being invited from the same representations as this conference, but smaller in number, in order to take four or five key recommendations and develop modes of their implementation, including assignments of responsibility.

ADDENDUM V: POSTSCRIPT

Several important events germane to consumer protection in postsecondary education have occurred in the months subsequent to the Knoxville conference. Some of the encouraging new developments are noted below.

The federal strategy paper, developed by the Federal Interagency Committee on Education (FICE), *A Federal Strategy Report For Protection of the Consumer of Education*, September 18, 1974, has been formally accepted by FICE. Following review by the Assistant Secretary for Education, it was forwarded to the Secretary of Health, Education and Welfare for formal adoption. The Federal Trade Commission's hearings on regulations have been postponed. However, according to *Higher Education Daily*, February 28, 1975, it appears

the regulations will not be altered so as not to lessen their consumer protection orientation.

The Guaranteed Student Loan Program's regulations in final form were issued at the end of February 1975, with a "fair and equitable" tuition refund section and "complete and accurate" disclosure about programs, facilities, faculties and job placement claims sections. Congressman James G. O'Hara's bill (H.R. 3471) was introduced in late February 1975, that would enact refund and disclosure provisions into law.

The annual meeting of the Association of American Colleges in January 1975 centered its discussion on students, consumerism and liberal education; and the *Washington Star-News*, January 14,

1975, outlined some of the major themes, of that conference.

The Fund for the Improvement of Postsecondary Education announced a national project on "Better Information for Student Choice," which will identify comparable data that could be disclosed by institutions, such as profiles of students, financial aid recipients and graduates. ERIC Higher Education Research Currents published an article in February 1975 which summarized research on the student as a consumer in higher education.

For further developments and activities directed toward improved consumer protection in postsecondary education the reader is encouraged to contact directly the conference sponsors listed on the reverse of the title page.